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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Lenawee County FIA for the period October 1, 1998 through May 21, 1999. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Lenawee County FIA had 90 full time equated positions (FTE's) at the time of our review. Lenawee County FIA provided assistance to an average 4,866 recipients per month during FY 1998, with total assistance payments of \$6,260,309 during that year.

## **SCOPE**

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Lenawee County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Accounts Receivable
Safe & Controlled Documents	IRS Information Security
Food Stamp Mail Issuance	Modified Accrual Balance Sheet
Procurement Card	Payroll Review
SER Payments	Medical Transportation
Telephone Usage	

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Lenawee County FIA internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found several instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

## **FINDINGS AND RECOMMENDATIONS - COMPLIANCE**

The following are areas where we found that the Lenawee County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

### **Reconciliation of the Automated Recoupment of Accounts Receivable**

1. Lenawee County FIA did not reconcile the GH-280, GH-370 and the GH-380 reports on a monthly basis, as required by Accounting Manual Item 480. Reconciliation of these reports ensures that all moneys collected are accounted for, and that the clients' account balances are accurate.

WE RECOMMEND that Lenawee County FIA reconcile the Automated Recoupment Reports.

**Local Office Response:** The management of Lenawee County FIA indicated in their memorandum dated November 13, 1999 that the reports are now being reconciled and they are in compliance with our recommendation.

### Medical Transportation

2. Lenawee County FIA did not have completed Medical Needs Authorizations (FIA-54A) on file for 1 out of the 13 cases we tested. Program Administrative Manual Item 825 and Accounting Manual Item 416 require that properly completed FIA-54A's be on file to document the need for medical transportation. Proper completion of all required information on the FIA-54A helps to ensure that medical transportation payments are only authorized when there is a documented medical need.

WE RECOMMEND that Lenawee County FIA ensure that complete, up-to-date Medical Needs Authorizations are on file to document the need for all medical transportation payments.

**Local Office Response:** The management of Lenawee County FIA indicated in their memorandum dated November 13, 1999 that they will follow the policy and complete and include an FIA-54A.

### RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Lenawee County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

### Payroll Reconciliation

3. Lenawee County FIA did not have the certifier or independent person reconcile the FIA-4299 (Employee Time and Attendance Report) to the HR-332A (Time and Attendance Summary Report) or the PR-180 (PPRISM BI-Weekly Hours Entered Report). The Primary Internal Control Criteria recommends reconciliation of the time sheets to the HR-332A and turnaround document PR-180 each pay period. Reconciling the time sheets to

the payroll report ensures that the time is approved by a supervisor, is properly entered into DCDS, and is not changed after the certifier approved the HR-332A.

WE RECOMMEND that Lenawee County FIA reconcile the time sheets to the HR-332A, and PR-180 report.

**Local Office Response:** The management of the Lenawee County FIA indicated in their memorandum dated November 13, 1999 that they will have the HR-332A reconciled to the individual time sheets.

#### CIS Status Codes

4. Two data-coding operators at Lenawee County had CRS status on the Client Information System (CIS) and job type 360 on the ASSIST system. This allows the employees to register a case on ASSIST and have full file maintenance on CIS. We also found that a CPS worker had FLM status on CIS and had job types 360 and 400 on ASSIST. These codes allow the employee to register a case on ASSIST and have full file maintenance. The Primary Internal Control Criteria indicates that employees should not be allowed to both register and open a case on ASSIST, and perform case maintenance on CIS.

WE RECOMMEND that Lenawee County change the data coding operators and the CPS workers to registration only capabilities, or customize their operator status on ASSIST and CIS.

**Local Office Response:** Lenawee County made changes to the data coding operators and CPS worker's CIS/ASSIST status while the auditor was on site.

#### Procurement Card Usage

5. Lenawee County FIA did not follow the internal control procedures over the procurement cards. Four out of the five logs tested were not signed by the procurement cardholder. The supervisor did not sign two out of the five logs tested during the reconciliation process. The reconciliation of the Cardholder Transaction Detail was not done timely. There was no verification indicated on the logs that the goods were received for six out of the twenty-eight transactions we reviewed. Following the procedure outlined for procurement card use will ensure that good are properly ordered, received, and recorded.

WE RECOMMEND that Lenawee County FIA have the cardholder sign the Transaction Log when the billing cycle is ended, have an independent person initial and date the log when goods are received, and have the reconciler perform the reconciliation timely and sign and date the log when reconciliation is completed.

**Local Office Response:** The management of the Lenawee County FIA indicated in their memorandum dated November 13, 1999 that the procurement cardholder will sign the Transaction Log at end of the billing cycle, and an independent person will document receipt of the goods. Also, the Transaction Log will be reconciled timely to the Cardholder Transaction Detail.